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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
SUITE 300-D, 2420 W. 26TH AVENUE  
DENVER, COLORADO 80211

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September 6, 1974



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Commander  
Air Force Accounting  
and Finance Center  
3800 York Street  
Denver, Colorado 80205

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Dear Sir:

We recently completed an audit of transactions entered in the Joint Uniform Military Pay System (JUMPS) by the Directorate of Military Pay Operations (MP) at the Center. The purpose of the audit was to determine whether transactions input in the pay system by the directorate are accurately updating the pay accounts of Air Force members.

Certain "unique" transactions in the JUMPS are restricted for use solely by the Center. These involve transactions affecting periods prior to conversion of accounts to JUMPS, those affecting periods prior to immediate access storage (IAS), low frequency items, and abnormal events or status conditions for which processing logic has not been included in the normal update programs. Pay technicians at the Center use the "unique" procedures to add, change, insert, and delete entries in members' pay accounts. Improper information entered in the system can result in erroneous payments to members or establish entries in the Master Military Pay Accounts (MMPAs) which will cause future erroneous payments.

Using generally accepted sampling techniques, we examined 133 transactions drawn from a universe of 3,230 transactions processed to adjust pay accounts during five February 1974 update runs. Thirty-one of these transactions contained 34 errors, an error rate of 23.31 percent. At the 95 percent confidence level, we estimate that between 508 and 997 of the 3,230 transactions were erroneous.

Frequently, more than one transaction is required to complete an action. To fully determine the types and causes of error, we audited 90 additional transactions related to those in the sample. We identified another 29 errors in these related transactions.

We previously reviewed a sample of June 1973 transactions input by the Center and identified numerous errors and deficiencies. In November 1973 we discussed the results of the June 1973 review with

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representatives of the Directorate of MP and they informed us of certain corrective measures that were expected to reduce the volume of erroneous transactions. Since our recent review showed a 23.31 percent error rate, further corrective measures are apparently necessary.

#### SUMMARY OF ERRORS AND DEFICIENCIES

The errors include erroneous payments, potential erroneous payments of lump-sum leave, errors in service dates, wrong amounts of taxable wages, lack of history entries in MMPAs, and inaccurate posting of payments. A summary of errors follows, and details are in an enclosure.

##### Erroneous payments and leave adjustments

In the sample of 133 transactions, we identified seven overpayments for \$985 and three underpayments for \$31. The 10 erroneous payments resulted from transactions which were inaccurately prepared by the clerks to adjust such items as pay dates, promotion dates, basic allowance for subsistence, housing allowance, and family separation allowance.

The sample included transactions to adjust leave balances and eight of these were in error. As a result, leave balances were overstated or understated for a total of 39 days. Potentially, this represents about \$1,175 in erroneous payments for unused accrued leave on members' discharge or relief from active duty.

At the 95 percent confidence level, we estimate that there were between 237 and 637 payment and leave adjustment errors in the 3,230 transactions processed during the five February 1974 updates. The monetary value of the estimated errors would be between \$7,700 and \$98,800. The 3,230 transactions processed during five updates in February represent only a small portion of the number of such transactions processed in any one month. During the 6-month period, January to June 1974, about 250,000 transactions of the types we audited were processed.

In the audit of the 90 related transactions we found five overpayments for \$503 and six underpayments for \$819. A leave balance was understated by 66 days valued at \$958.

We did not attempt to put a monetary value on the other errors identified in the review. Some involve inaccurate service dates and incorrect years of service. These could automatically generate future erroneous payments.

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### Tax errors

We found erroneous adjustments of taxable income, income tax deductions, and Federal Insurance Contributions Act (FICA) wages. For example:

- A payment made to a member in 1973 was erroneously added to taxable income for 1974.
- An income tax deduction on a retroactive adjustment was computed on an amount in excess of the actual increase in basic pay.
- FICA wages and taxable income were not reduced by the amount of basic pay forfeited.
- A tax exempt allowance was erroneously coded as taxable income.

We were informed that computer program problems were one of the causes of tax errors. The Directorates of MP and Data Automation are revising the specifications and expect to start programming these specifications soon. We support a high priority for this programming in order to improve the accuracy of data reported to the Internal Revenue Service and the Social Security Administration.

### Other problems identified

During our review of transactions input by the Center in June 1973 we observed that the remarks section of the Leave and Earnings Statements (LES) did not explain to the members how their accounts were adjusted by the Center. We expressed the view that the absence of an explanatory remark could lead to granting waivers of recovery of overpayments under the provisions of 10 U.S.C. 2774 since the member could claim he was unaware that he was overpaid. Although we were informed in November 1973 that corrective measures would be taken, we noted the same condition in our recent review. The task of providing appropriate remarks in the LES is a difficult one, but the Directorate of MP expects, soon, to provide the processing logic to produce the remarks.

The accounting and disbursing station number (ADSN) of other services making payments to Air Force members is not being recorded in the system under the Center's "unique" processing procedures. Only the ADSN of the other service's finance center is shown. The Center also adjusted several leave balances of members but did not record, in the MPA history, the period of leave that had been charged or adjusted. These entries, we believe, should be recorded in the system similar to the automatic recording made when regular JUMPS transactions are processed. This will improve the audit trail, and reduce members' inquiries and possible claims against the Government.

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## CAUSES OF ERROR

Many of the errors can be attributed to inexperience of pay clerks and supervisors and the pressure of a heavy workload. Officials of the Directorate of MP agree. They estimate that only about 20 percent of the clerks are fully trained. There had been, we were told, a "heavy hire" of clerks last fall and most of these will not reach the journeyman level until next year.

Officials of MP are expecting a decreased workload after a reasonable period of stabilization once all accounts have been converted to JUMPS. This was reiterated in a letter dated June 25, 1974, from the Comptroller of the Air Force in reply to a letter from our Office regarding controls over manual intervention. As backlog decreases, officials of MP look to improved quality of transactions because pay clerks will be able to do more research on complicated cases.

Our analysis of the sample cases showed that transactions rejected for Center intervention may be reduced by about 15 percent when JUMPS has been fully implemented for 6 months. This is based on our observation that 15 percent of the cases were rejected because the effective dates of the transactions were prior to conversion but within the 6-month period of IAS (5 months plus current month). The volume could be further decreased, however, by developing new programs and refining existing ones. For example, MP plans to increase computer capability by adding more rate tables. This should reduce the number of retroactive transactions rejected for Center intervention.

About 40 percent of the sample cases were rejected for Center intervention because the field sent in transactions with effective dates prior to IAS. More timely input by the field would reduce the Center's workload.

We observed a general failure on the part of pay clerks to recognize the need to correct or change related items when preparing input. For example:

- When changing a pay date, clerks should assure that "years of service" is corrected and that all pay rates based on longevity are examined.
- When reporting an item involving a separation or reenlistment effective prior to conversion of the account to JUMPS, there is usually a need to correct the leave balance, extended active

duty date, and date of separation and to determine whether a reenlistment bonus was paid and reported.

- When recording a period of absent without leave, the clerk should recognize that the pay date, total active Federal military service date, and leave accrual will probably need correction.

We also observed a lack of controls to preclude action on the same case by more than one clerk, too much reliance placed on data in the base level input which rejected for Center intervention, and a lack of rate tables in the processing sections for use in making retroactive changes of overseas station allowances.

### CONCLUSIONS

In comparing the results of our audit of transactions input by the Center during February 1974, with our audit of transactions input in June 1973, we observed improvement in two areas. Controls established by MP to preclude payments that exceed established "tolerance factors" have apparently prevented overpayments in such extremely large amounts as some we identified in the earlier review. Corrective measures have also apparently been successful in preventing the processing of duplicate entries, a deficiency observed in the review of June 1973 input.

Although the added controls and corrective measures have been successful in correcting some of the problems, the error rate remains high. The error rate of 23 percent disclosed in the audit of February 1974 transactions and the large volume of transactions input by the Center indicate that a large number of pay accounts contain information which has resulted in erroneous payments or will generate erroneous payments in the future.

### RECOMMENDATIONS

We recommend that the Directorate of MP:

- Develop detailed instructions for handling changes in each type of entitlement and deduction to help pay clerks recognize the need to correct related items when preparing input.
- Establish stricter controls over case folders to assure that the clerk knows what action has already been taken on a case.
- Place greater emphasis on research of military pay records and JUMPS history files before making retroactive adjustments.
- Require documentary support for retroactive changes in grade or service dates.


- Provide more rate tables for use by clerks when preparing retroactive transactions affecting overseas station allowances.
- Make instructional changes to assure that all periods of leave are identified in members' accounts.
- Change programs to provide the capability to show the paying ADSN for payments made to Air Force members by other services.
- Establish a high priority for correcting tax and FICA programs to assure that accurate information for calendar year 1974 is furnished to the Internal Revenue Service and the Social Security Administration.
- Make a study to determine what improvements can be made in the field to reduce the number of retroactive transactions with effective dates prior to IAS.

Your comments and advice of actions taken or planned on our recommendations and any additional attention being given to improve the quality of transactions will be appreciated. If you have any questions, Mr. Sjoberg of my staff will be pleased to discuss them with you.

We discussed the results of the review with representatives of the Directorate of MP. During the review we reported the 63 errors to representatives of the Directorate and, at the end of July, they had corrected most of the pay accounts--they were still researching a few complex cases.

We wish to express our appreciation for the cooperation and courtesy extended to our staff during this review.

Sincerely yours,

  
Irwin M. D'Addario  
Regional Manager

Enclosure

cc: Air Force Audit Agency Office  
AFAFC  
Comptroller of the Air Force

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Enclosure

SUMMARY OF ERRORS  
SAMPLE AND RELATED TRANSACTIONS

<u>TYPE OF ERROR</u>	<u>NO.</u>	<u>AMOUNT</u>
<u>OVERPAYMENTS</u>		
Basic pay  (incorrect promotion date, erroneous adjustment of pay date, incorrect computation of pay due for grade change, failure to adjust longevity date for absence without leave, forfeiture applied for wrong period, and erroneous computation of pay due for change in years of service completed)	6	\$1,165.76
Basic allowance for subsistence (BAS)  (duplicate credit and concurrent payment of BAS and travel per diem)	2	10.53
Refund  (duplicate refund for one day's rental)	1	3.33
Family separation allowance (FSA)  (erroneously paid during period of leave)	1	7.00
Housing allowance  (paid for period when no allowance was authorized for the locality, and failure to stop allowance on permanent change of station)	1	148.60
Casual payment  (failure to post)	1	153.00
Total overpayments	12	\$1,488.22

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<u>TYPE OF ERROR</u>	<u>NO.</u>	<u>AMOUNT</u>
<u>UNDERPAYMENTS</u>		
Basic pay (refund computed at wrong rate, erroneous adjustment of date of entry on active duty, failure to adjust all periods of pay for change in pay date, retroactive adjustment for promotion was made but grade change was not-- caused incorrect current pay)	4	\$ 177.92
Tax deduction (over-deduction on a retroactive pay adjustment, and deduction from FSA)	2	337.60
Flying pay (failed to increase flying pay when correcting years of service)	1	95.83
Excess leave (9 days leave used entered as 90)	1	201.51
Refund (insufficient refund for over-deduction of allotment)	1	37.50
Total underpayments	9	\$ 850.36
<u>POTENTIAL OVERPAYMENTS OF LEAVE</u>		
Inaccurate changes to leave balances (resulted in undercharges of 24 days' leave)	4	861.84

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<u>TYPE OF ERROR</u>	<u>NO.</u>	<u>AMOUNT</u>
<u>POTENTIAL UNDERPAYMENTS OF LEAVE</u>		
Inaccurate changes to leave balances (resulted in overcharges of 81 days' leave)	5	\$1,271.50
<u>OTHER</u>		
Service dates (wrong entry on active duty or separation dates, wrong pay date)	5	
Tax (failed to adjust taxable wages when a pay adjustment was cancelled and for a forfeiture, overstatement when making a retroactive adjustment in basic pay, in- cluded a 1973 payment in 1974 taxable wages)	4	
Leave history missing (4 periods of leave not shown and 1 case where record of leave settlement was not shown)	5	
Incorrect leave history (incorrect data regarding member's election to carry forward leave from prior enlistment, and incorrect leave days lost at settlement-- excess of 60 days)	3	

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<u>TYPE OF ERROR</u>	<u>NO.</u>	<u>AMOUNT</u>
Posting payments (erroneous accounting and disbursing symbol number (ADSN) voucher number, and failure to post)	4	
Error codes (inappropriate code on management notice, code identified indebtedness due to casual payment when no casual payment was shown, and no instructions for code "ZFF")	3	
BAS and BAS/leave (duplicate adjustment and wrong number of days)	2	
"On-Station" and "Leave" status overlapped	2	
Rental refund (improperly shown as additional entitlement to basic allowance for quarters)	1	
Wrong effective date for changing ADSN	1	
Incorrect years of service input	1	
Indebtedness cancelled but still showed on Leave and Earnings Statement	1	
Entry for separation travel--no separation travel paid	<u>1</u>	
Total other errors	33	

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